

**MARTIN STARNES &  
ASSOCIATES, CPAs, P.A.**

**Bryan Starnes, Partner**

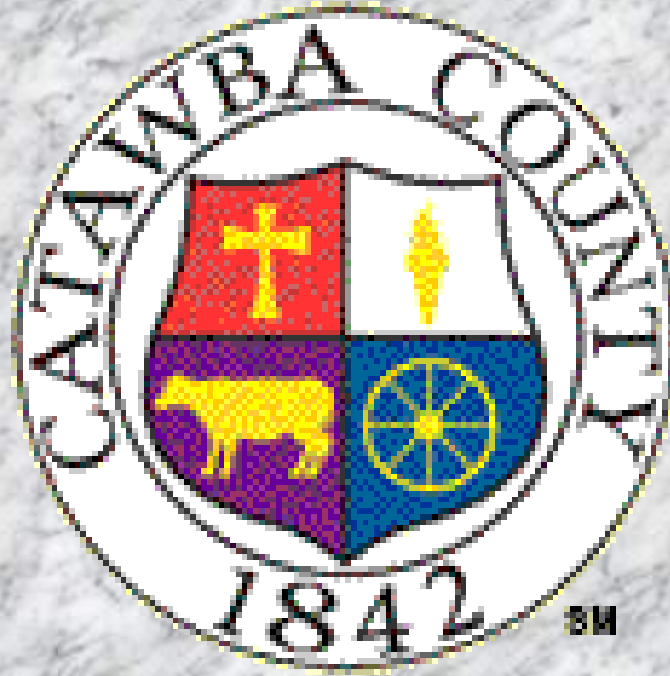
**CATAWBA COUNTY, NC**

**12-6-10**

# Audit Results

- Unqualified Opinion
- Compliance – Single Audit (State/Federal Grants)
- Management Letter
- Fund Balance-BOC goal of 16.0%, equal to 2 months of operating
- Unreserved fund balance (net) for FY 09-10 is 21.9% of general fund expenditures, equal to more than 2-1/2 months of operating
- Average unreserved fund balance for urban counties (FY 2009) was 19.33% - Catawba County - 21.2%
- Financial Condition

# Fiscal Year 2009-10 Financial Report



Rodney N. Miller  
Finance Director

# **FY 2009-10 Year-End Analysis**

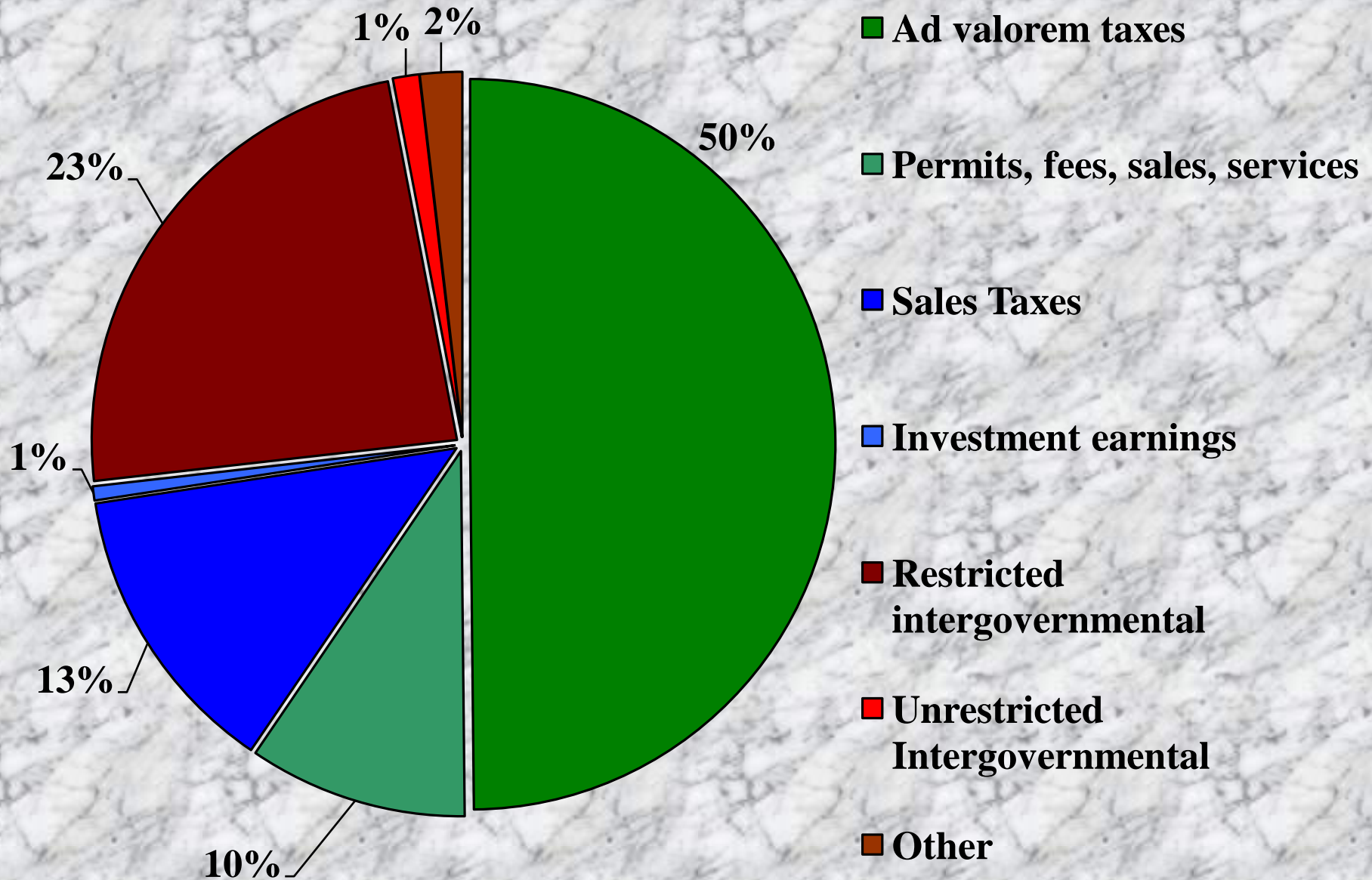
	<b><u>08-09</u></b>	<b><u>09-10</u></b>
General Fund Revenues	\$166,960,431	\$161,082,844
General Fund Expend./Transfers	<u>\$171,874,608</u>	<u>\$159,831,312</u>
<b>Change to fund balance (net)</b>	<b>(\$4,914,177)</b>	<b>\$1,251,532</b>

## **Major changes include:**

**2% withheld from County departments/schools of \$1,520,366 in May 2010**

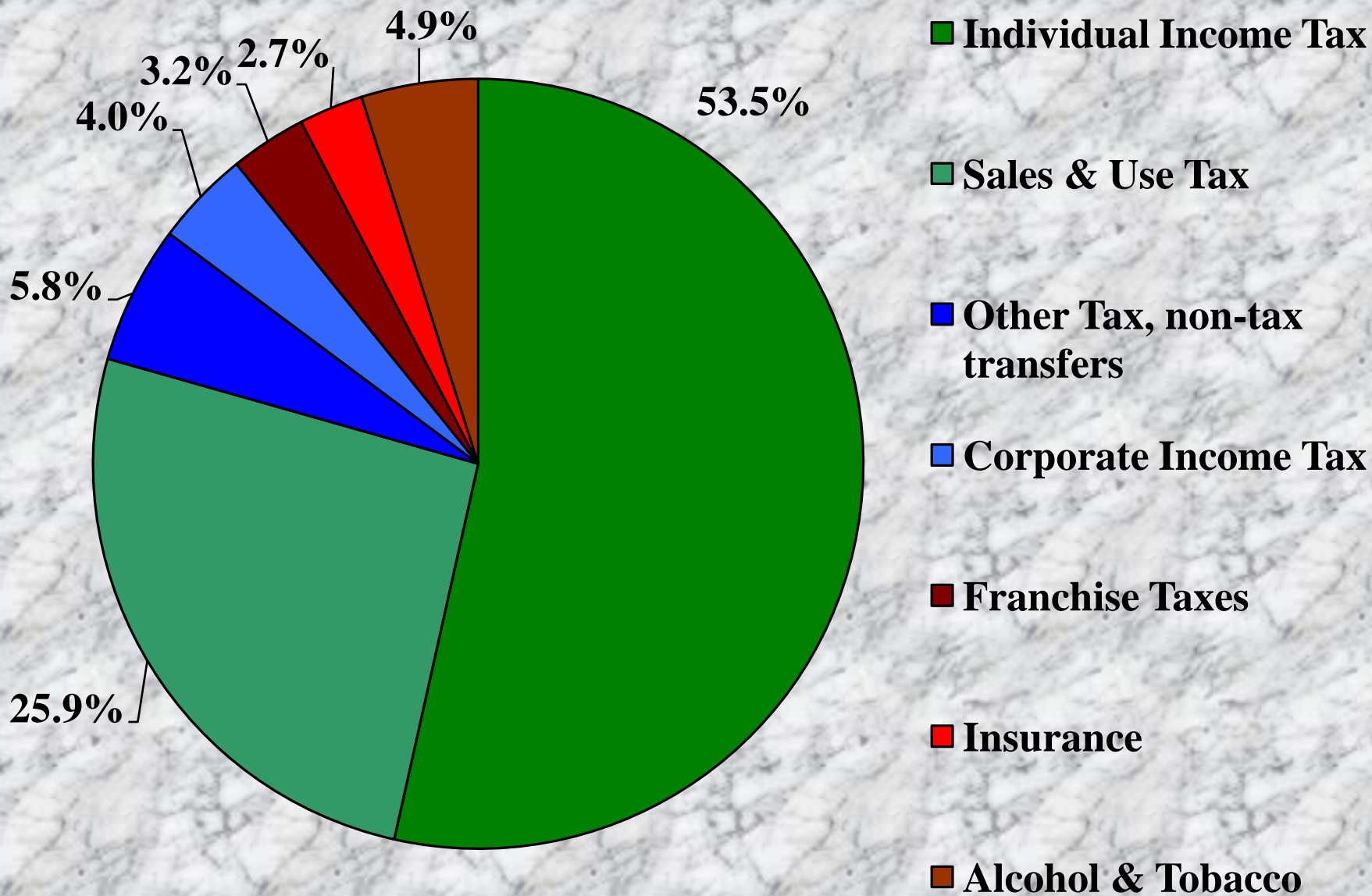
**State has assumed Medicaid costs from counties as of 6/1/09 (100%) paid for with county 1/2 cent sales tax revenues**

# General Fund Revenues – Actual 2010

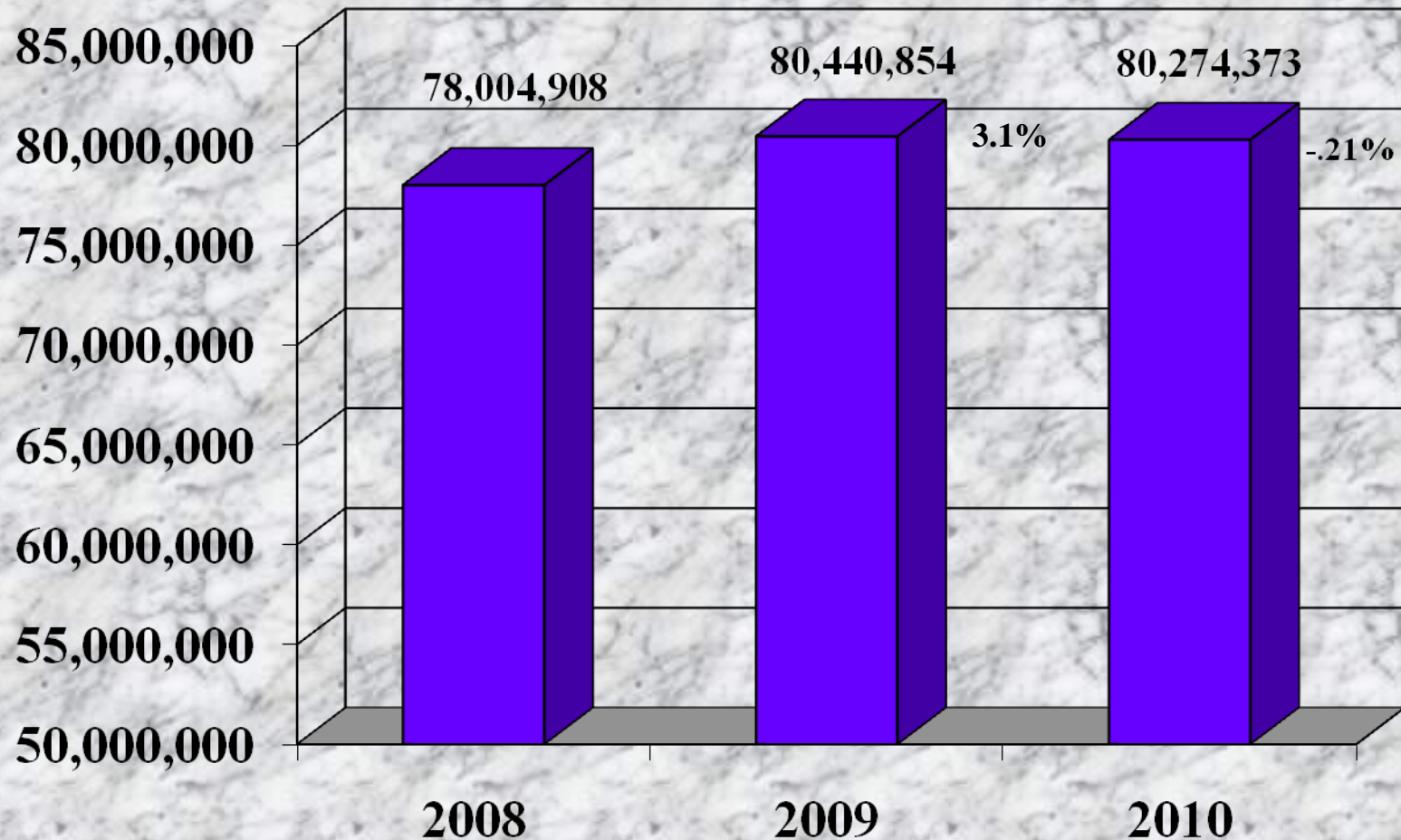




# State of NC General Fund Revenues-2010

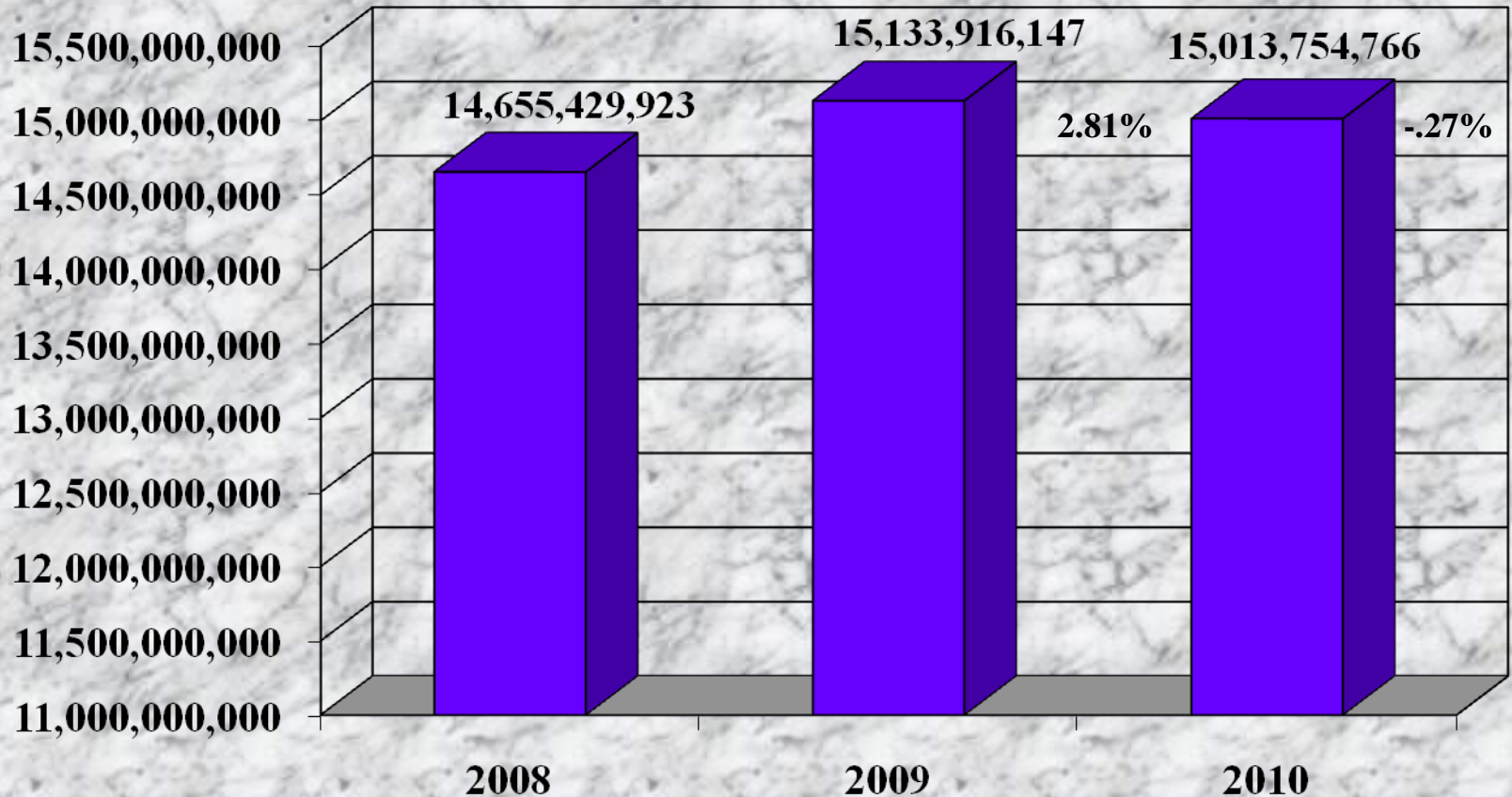


# Property Tax Revenues



- \$2.3m normal growth in '08; \$2.4m or 3.1% increase in '09
- Duke Energy -\$1.1m in '10; net growth of \$930k
- Collection rate -.47% in '09; +.03% or 96.33% in '10

# Property Tax Base



- \$250m in normal growth in FY 08; \$478m in FY 09
- **Duke Energy (-\$200m in FY 10) \$80m net new growth**
- Projected \$130m in new construction for FY11



# Top Ten Taxpayers – 2010

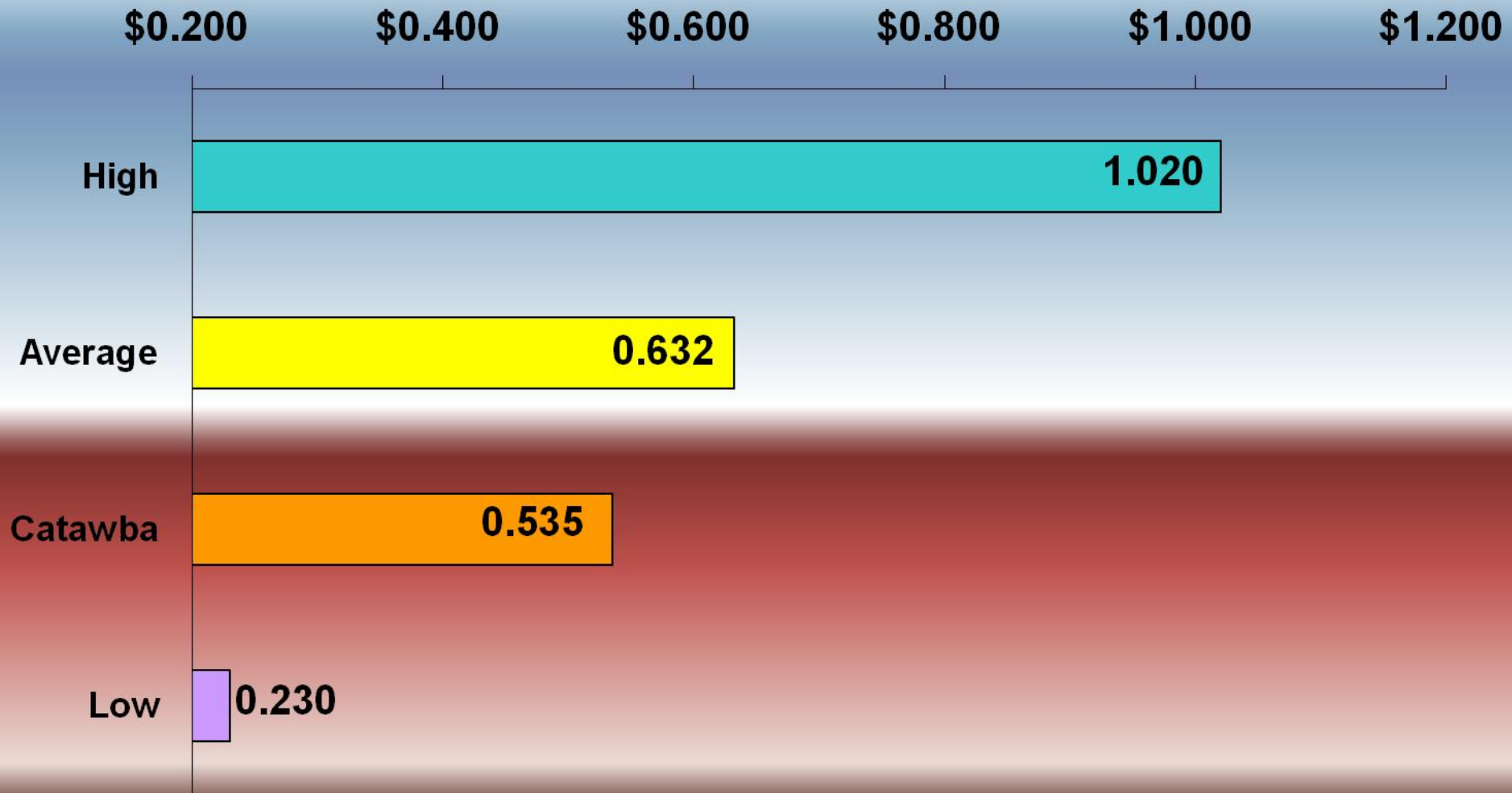
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>% of Total</u>	<u>Last Yrs. Ranking</u>
Duke Energy Corp.	<b>\$433,348,357</b>	2.89%	1st
Getrag Gears of N/A	<b>129,677,116</b>	.86%	<b>3rd</b>
CommScope, Inc.	128,462,553	.86%	2nd
<b>Target Corporation</b>	<b>104,626,992</b>	.70%	<b>n/a</b>
Frye Regional Medical Center	84,831,953	.57%	4th
Corning Cable Systems	74,191,266	.49%	5th
Draka Comteq Americas, Inc.	70,617,246	.47%	7th
Hickory Springs Mfg. Co.	59,411,136	.40%	6th
Valley Hills Mall	50,192,205	.33%	9th
Shuford Mills/Shuford Development	<u>46,828,469</u>	<u>.31%</u>	10th
Total	\$1,182,187,293	<b>7.88%</b>	

**\*Apple should make the list in 2011**

# Top Ten Taxpayers - 2000

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>% of Total</u>
Duke Power Company	\$327,660,621	3.20%
<b>Siecor (Corning)</b>	<b>152,528,205</b>	<b>1.49%</b>
Commscope, Inc.	127,206,021	1.24%
<b>Alcatel (Draka Comteq)</b>	<b>101,817,882</b>	<b>.99%</b>
Centel/Central Telephone	53,236,078	.52%
Shuford Mills/Shuford Development	50,804,077	.50%
<b>Carolina Mills, Inc.</b>	<b>43,650,378</b>	.43%
Hickory Springs Mfg. Co.	38,919,072	.38%
The Lane Company	30,452,620	.30%
Carolina Centers/Crescent Resources	<u>30,276,430</u>	<u>.29%</u>
Total	\$956,551,513	<b>9.34%</b>

# 2009-10 Tax Rate NC Counties



- 8<sup>th</sup> Lowest among 26 urban (>100,000 population) counties
- 28<sup>th</sup> Lowest out of 100 Counties in NC

# Permits/Fees/Sales/Services

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Register of Deeds	708,905	562,730	<b>511,565</b>
<b>Building Permits</b>	2,599,804	<b>1,181,233</b>	<b>1,622,664</b>
<b>Ambulance Fees</b>	<b>4,571,564</b>	<b>4,956,763</b>	<b>4,791,393</b>
Medicaid Fees -PH	2,488,806	2,319,550	<b>2,654,547</b>
Home Health/3 <sup>rd</sup> Party	2,910,840	3,282,869	3,349,566
Obstetric Services	487,570	575,309	<b>504,462</b>
Environmental Health	355,319	251,514	<b>233,956</b>
Other	<b><u>4,827,079</u></b>	<b><u>2,030,835</u></b>	<b><u>1,918,972</u></b>
Totals	18,949,887	15,160,803	15,587,125

- Register of Deeds/Obstetric/Environmental Health fees decreased
- Building permit revenues: -54.6%/37.4% (\*Apple-'10)
- Ambulance patient fees 8.4%/-3.3% call volume up-payments down; increased submissions to debt setoff program
- Medicaid fees up 14.4%; other includes MH Medicaid contracts in 08



# Sales Tax Components

Article 39 – 1 cent (1971), countywide sales

Article 40–½ cent(1983), statewide sales – distributed per capita

Article 42–½ cent(1986), statewide sales – distributed per capita  
**(changed to countywide in Oct 09)**

Article 44–½ cent (Dec 2002) **transferred to State for Medicaid**  
**50% to State in Oct 08; 100% in Oct 09) - counties guaranteed**  
**+\$500k hold harmless by State**

Counties may choose per capita or ad valorem % for their method  
of distribution (68% vs. 65%)



# Sales Tax Components – cont.

Article 46-1/4 cent (Apr, 2008) countywide sales

*\*Not required to distribute to municipalities*

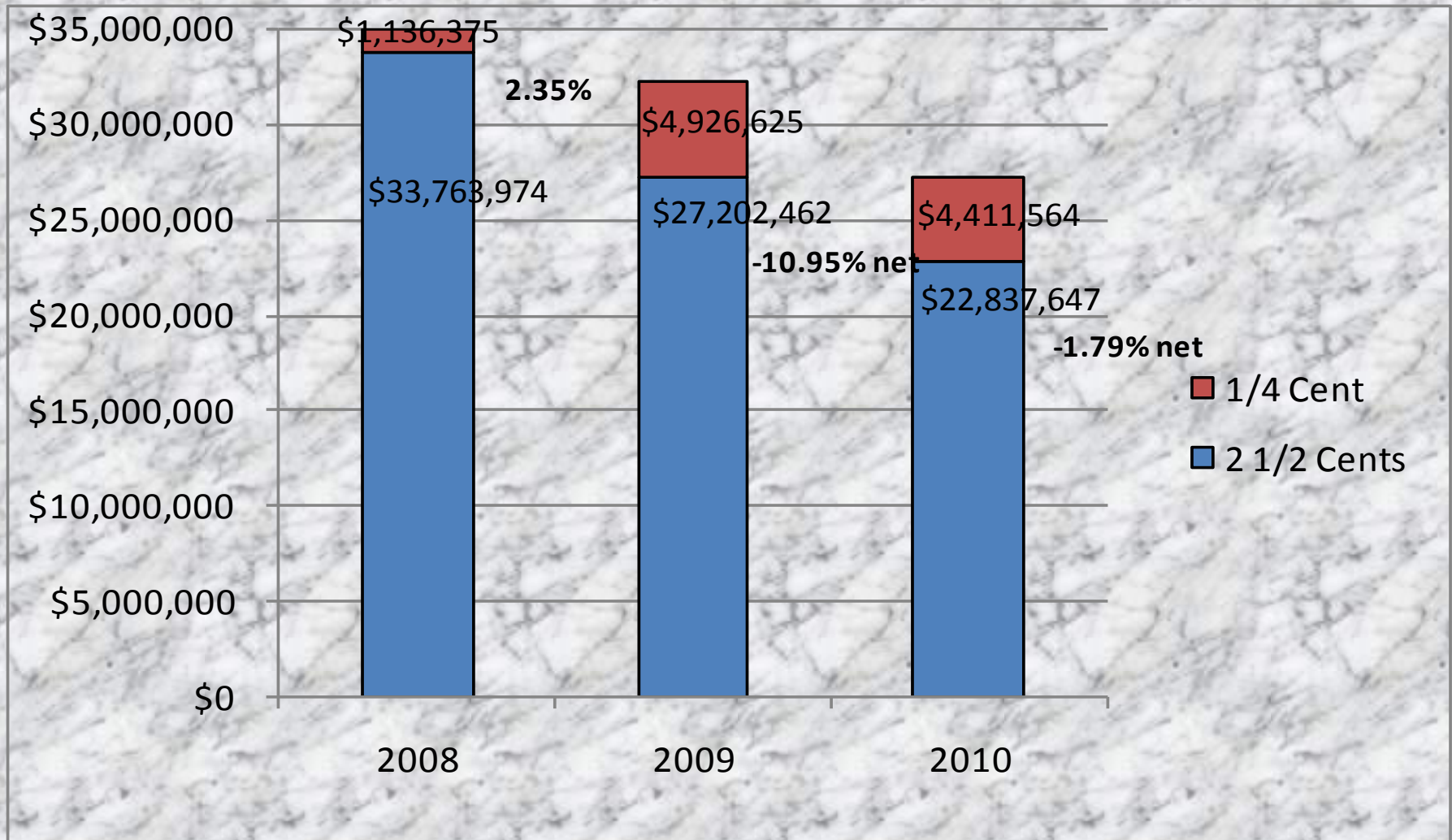
\$4.9 million in FY 09; \$4.4 million in FY 10

Committed for:

- Additional courtroom space at Justice Center
- New 911 Center, Emergency Operations Center
- Water & Sewer Needs (approx. \$32m in 8 yr. plan)
- Economic Development Initiatives
- Additional School Operational Funding

**October 1, 2009: Art. 44 to State (State increased rate by 1 cent in 09-10 budget), State 5-3/4 cents/County 2-1/4 cents = 8 cents**

# Sales Tax Revenues



3<sup>rd</sup> 1/2 cent reduced by 50% in Oct 08/100% in Oct 09 for Medicaid relief  
 3<sup>rd</sup> 1/2 cent -\$5.5m, City HH -\$2m < Medicaid costs of approx. \$8m  
 Two-cent collections were down -\$3m in 09; -\$450k in 10

# Retail Sales by County

		08-09	09-10	% chg.
Mecklenburg		12,476,582,833	12,728,091,543	2.02%
Wake		10,378,048,804	9,877,167,346	-4.83%
Guilford		5,590,367,752	5,069,091,826	-9.32%
Durham		3,630,249,377	3,778,439,315	4.08%
Forsyth		3,848,268,051	3,748,879,626	-2.58%
Cumberland		2,844,376,173	3,077,026,295	8.18%
Buncombe		2,995,665,910	2,909,115,924	-2.89%
New Hanover		2,572,742,760	2,551,206,402	-0.84%
Cabarrus		1,823,993,530	1,915,669,264	5.03%
<b>Catawba</b>		<b>1,654,738,905</b>	<b>1,617,828,956</b>	<b>-2.23%</b>
Iredell		1,524,286,492	1,430,634,102	-6.14%
Pitt		1,399,853,185	1,408,725,376	0.63%
Gaston		1,403,855,458	1,385,332,241	-1.32%
Alamance		1,431,415,494	1,382,375,460	-3.43%

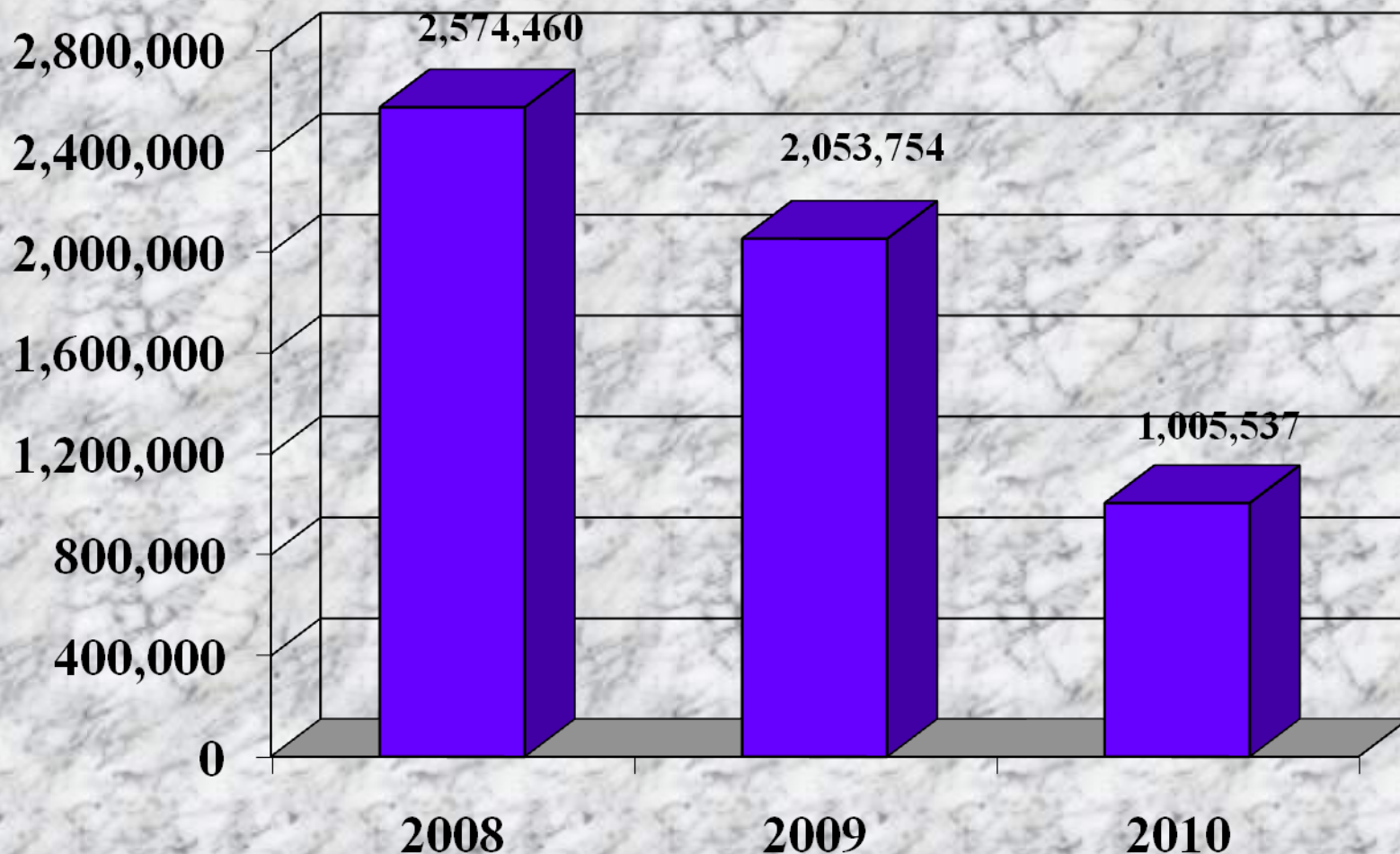
# Retail Sales by Business Sector

	<u>FY 2008-09</u>		<u>FY 2009-10</u>	
1% - farm, laundry	2,134,515	0.1%	-	0.0%
2%/3% - mfg. homes, boats, airplanes	14,357,390	0.9%	13,352,962	-7.0%
Apparel	49,225,444	3.0%	79,106,763	60.7%
Automotive	117,448,385	7.1%	115,124,198	-2.0%
Food	393,011,774	23.8%	345,993,144	-12.0%
Furniture	141,786,272	8.6%	78,625,283	-44.5%
General Merchandise	522,436,789	31.6%	511,835,210	-2.0%
Lumber/Building Material	197,370,757	11.9%	165,864,763	-16.0%
Unclassified-hotels/hospitals/bookstore	216,967,579	13.1%	307,926,637	41.9%
	1,654,738,905	100.0%	1,617,828,960	-2.2%

- Catawba County – 17<sup>th</sup> in population in NC; 10<sup>th</sup> in retail sales
- 63% of retail sales in Unifour; 43% of population



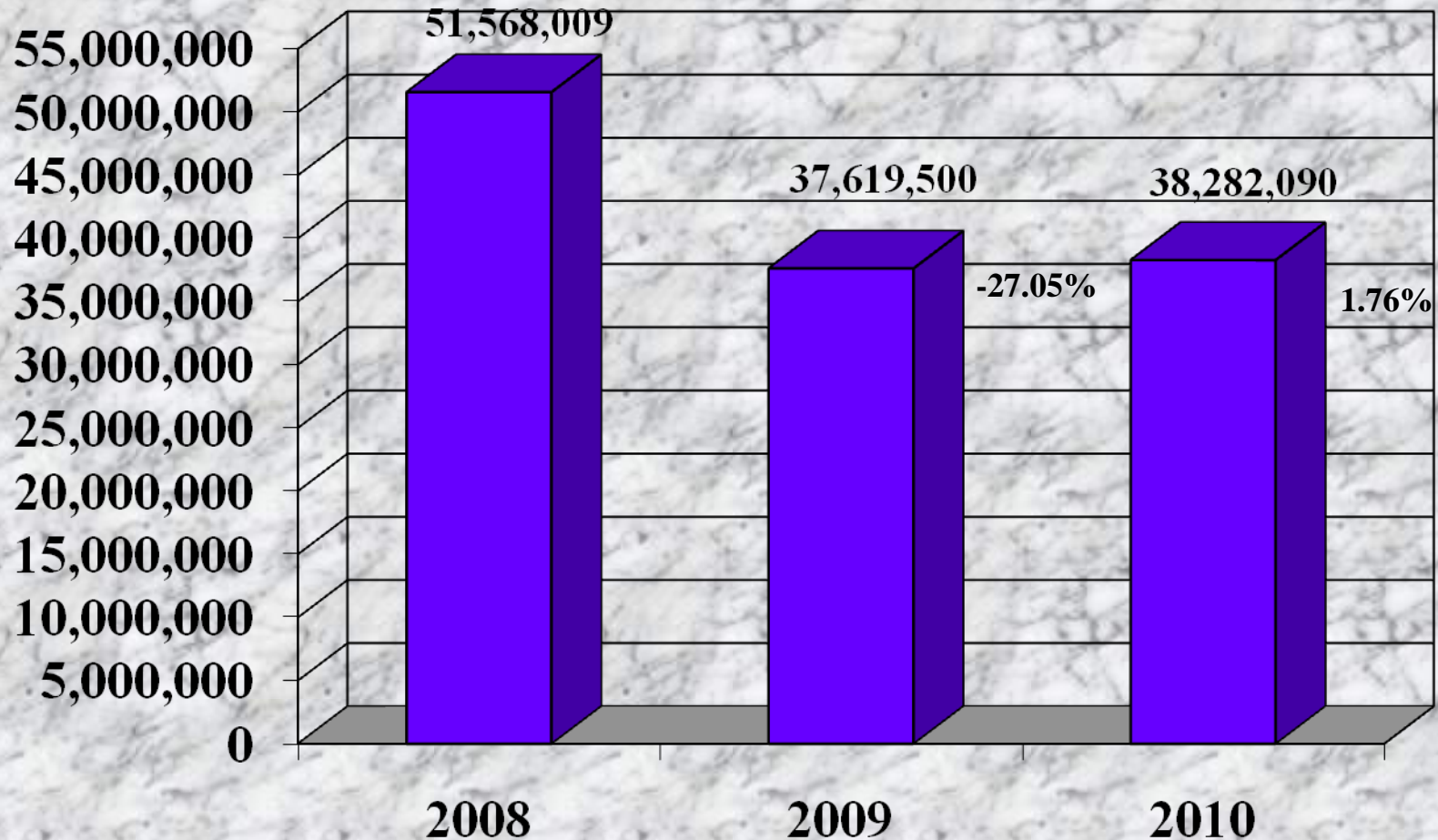
# Investment Earnings



- Avg. yield @ June 30= 4.39%                      2.01%                      1.51%
- Budgeted revenues of \$800,000 in General Fund
- County-wide = \$5.5m in '09; \$2.9m in '10



# Restricted Intergovernmental Revenues



- **Mental Health**—decrease of \$15.2m in state/federal funds-09
- **Social Services** –increase in Work First funds
- **Lottery Funds**(committed for school debt)=\$1.5m

# Unrestricted Intergovernmental Revenues

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Beer and Wine Taxes</b>	369,567	366,585	<b>117,869</b>
ABC Board Distribution	942,000	1,045,000	1,045,000
<b>Video Programming Fees</b>	659,342	715,496	715,586
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Totals	1,970,909	2,127,081	1,878,455

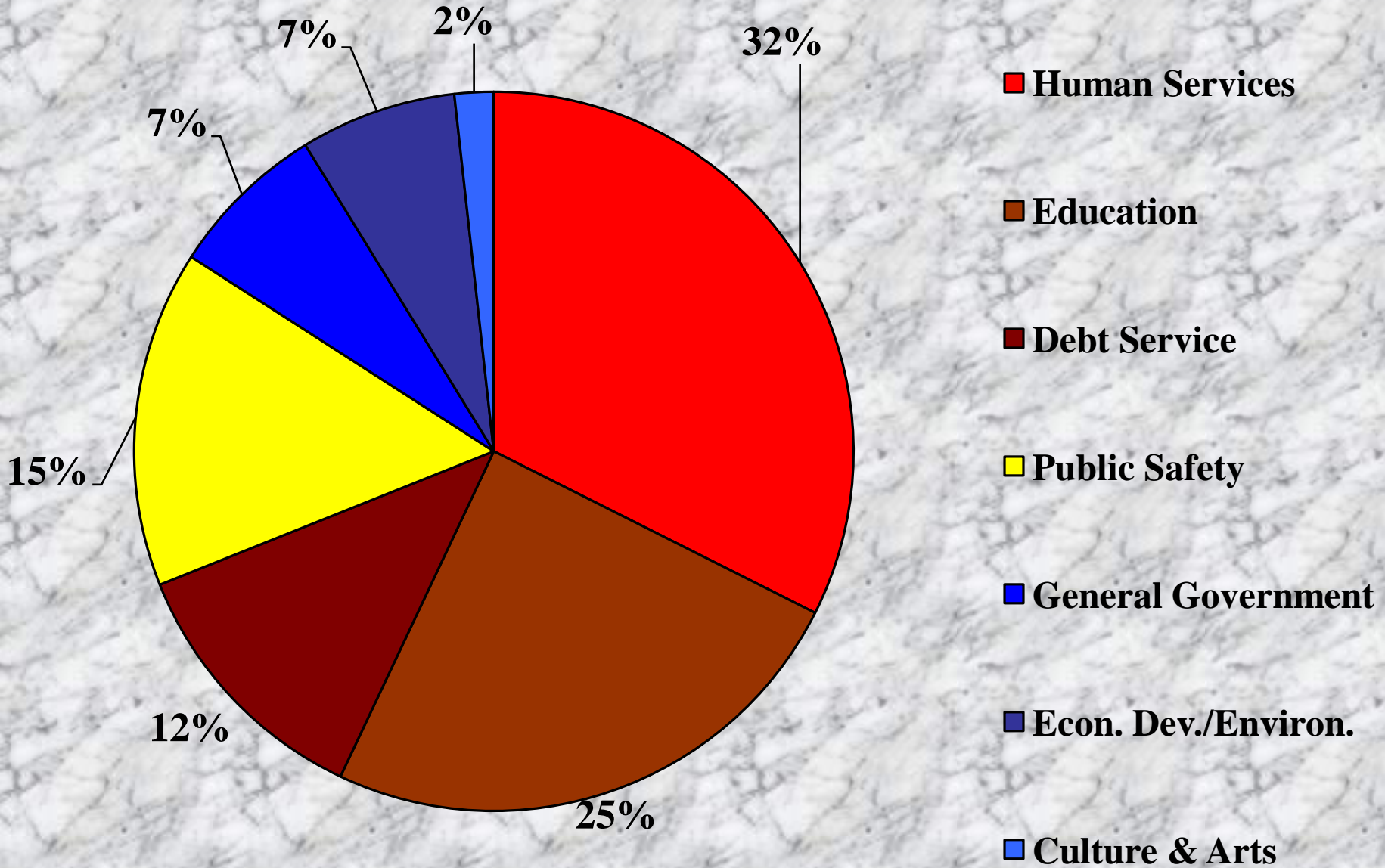
- **Beer and Wine revenues reduced by 2/3 in FY10**
- Repeal of local cable television franchise taxes 1-1-07; replaced with State sales tax on Telecommunication, Video Programming and Satellite TV services

# Other Revenues

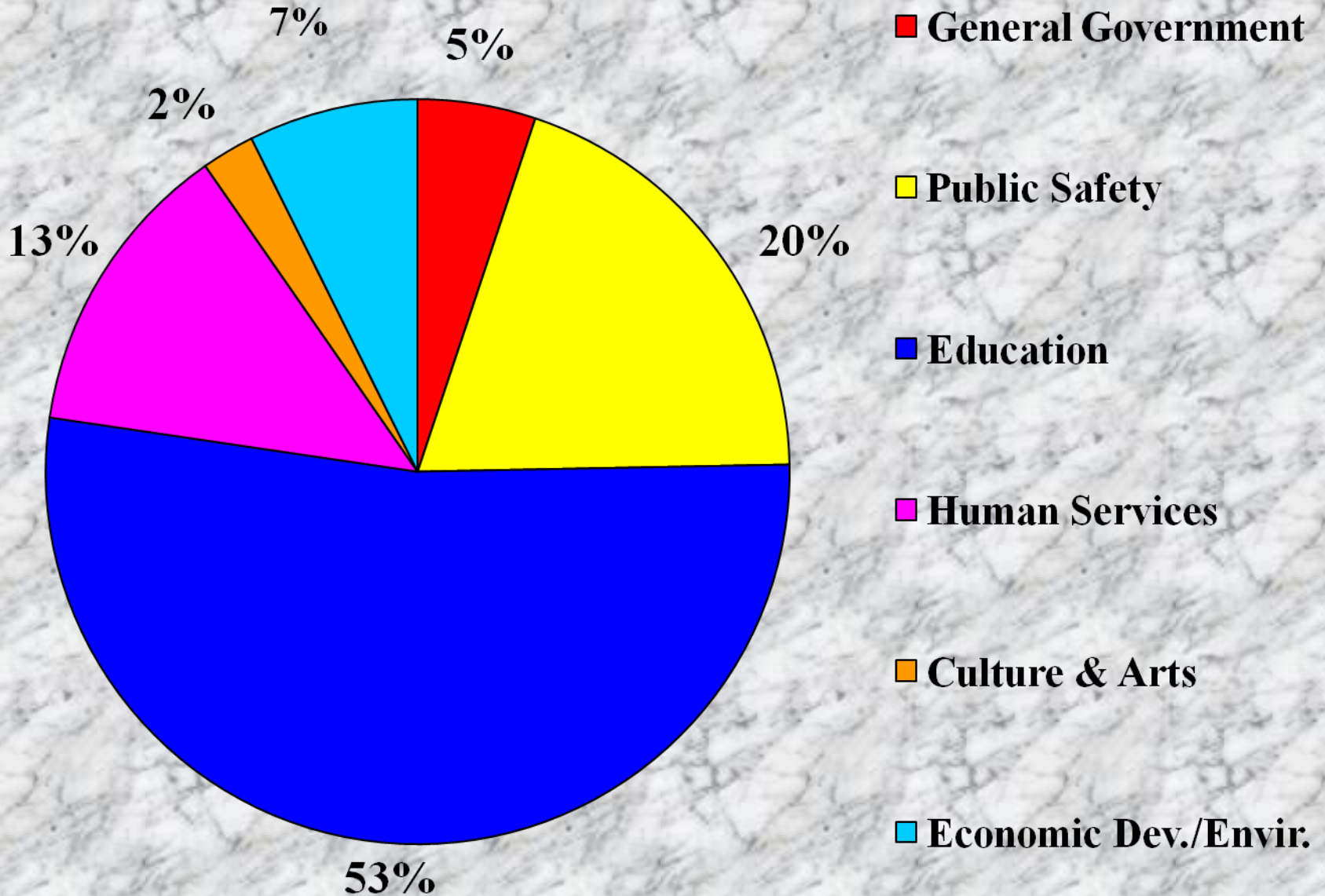
	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Cable TV Franchise Fees</b>	182,651	108,287	<b>-0-</b>
Employee Health & Dental Premiums	1,639,044	1,735,358	1,867,504
Other	<u>1,987,845</u>	<u>925,200</u>	<u>1,138,095</u>
 Totals	 3,809,540	 2,768,825	 3,005,599

- Cable TV: conversion to State franchise tax January 1<sup>st</sup>, 2007
- Other: grant funds (Susan G. Komen), lease of property (ESC, cell towers, etc.), insurance settlements, donations, miscellaneous revenues

# General Fund Expenditures

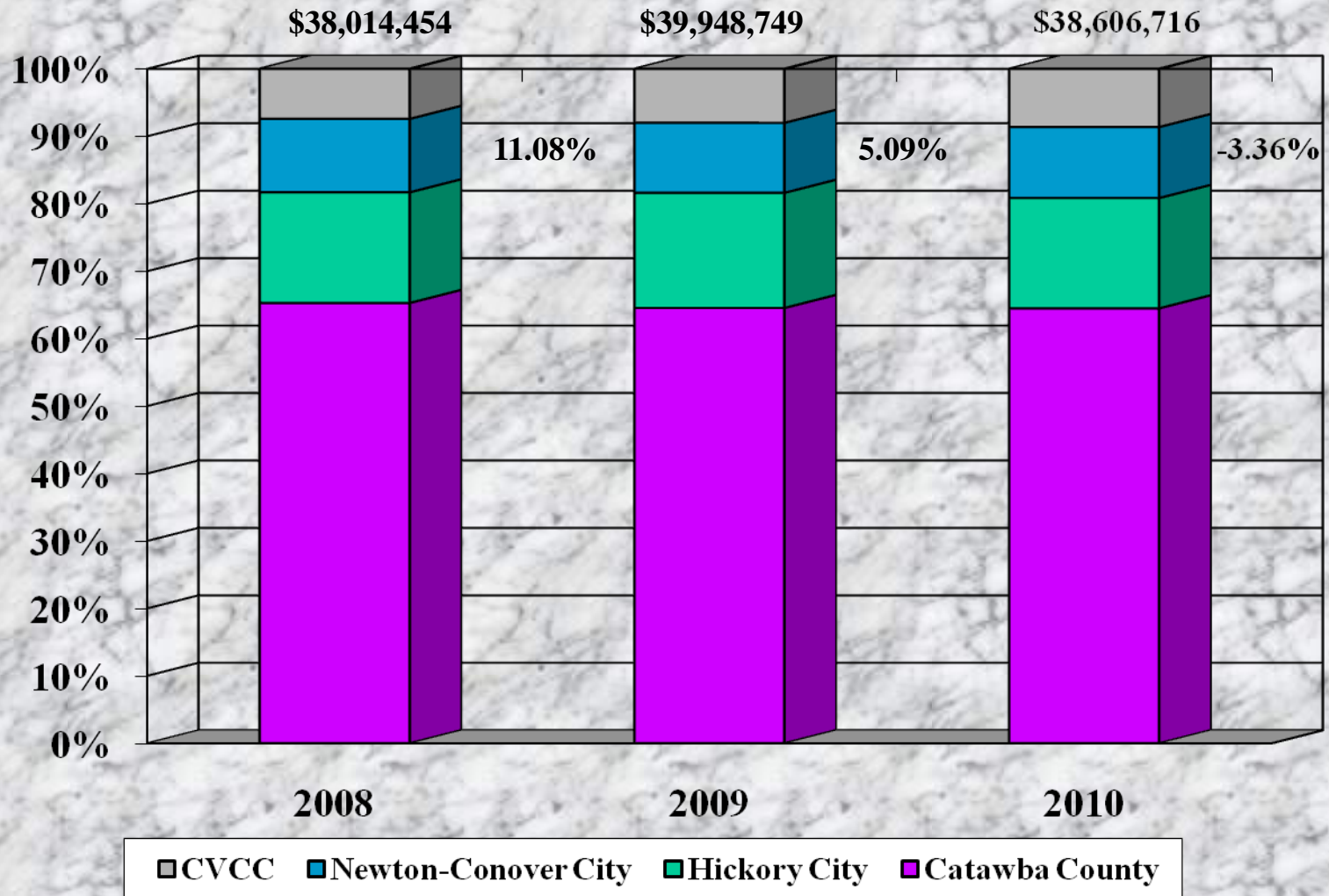


# Where do the Local Tax Dollars Go?





# Education



Decrease of \$1.3m to three school systems/CVCC, or -3.36%

# Human Services

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Mental Health	19,564,892	3,303,265	1,590,254
Social Services	42,517,938	39,995,499	37,205,033
Public Health	<u>11,605,768</u>	<u>11,818,486</u>	<u>12,083,383</u>
Totals	73,688,598	55,117,250	50,878,670

• **Mental Health** – 08 expenditures included Burke County activity; **transition to MHP on 7-1-08 (FY09)**; annual County contribution for MH services in 2010 and in subsequent years

• **Social Services – Decrease in Public Assistance** (Medicaid-\$1.0m in 08, \$2.9m in 09 & 10); \$250k increase for Project Moves (1x ARRA grant) help low-income obtain (remain) employment; increase in Duke Endowment Family Children Project \$150k (no local funding); decreases in FamilyNet (-\$200k) and Adult in-home aid (-\$500k)- provider bill/pay

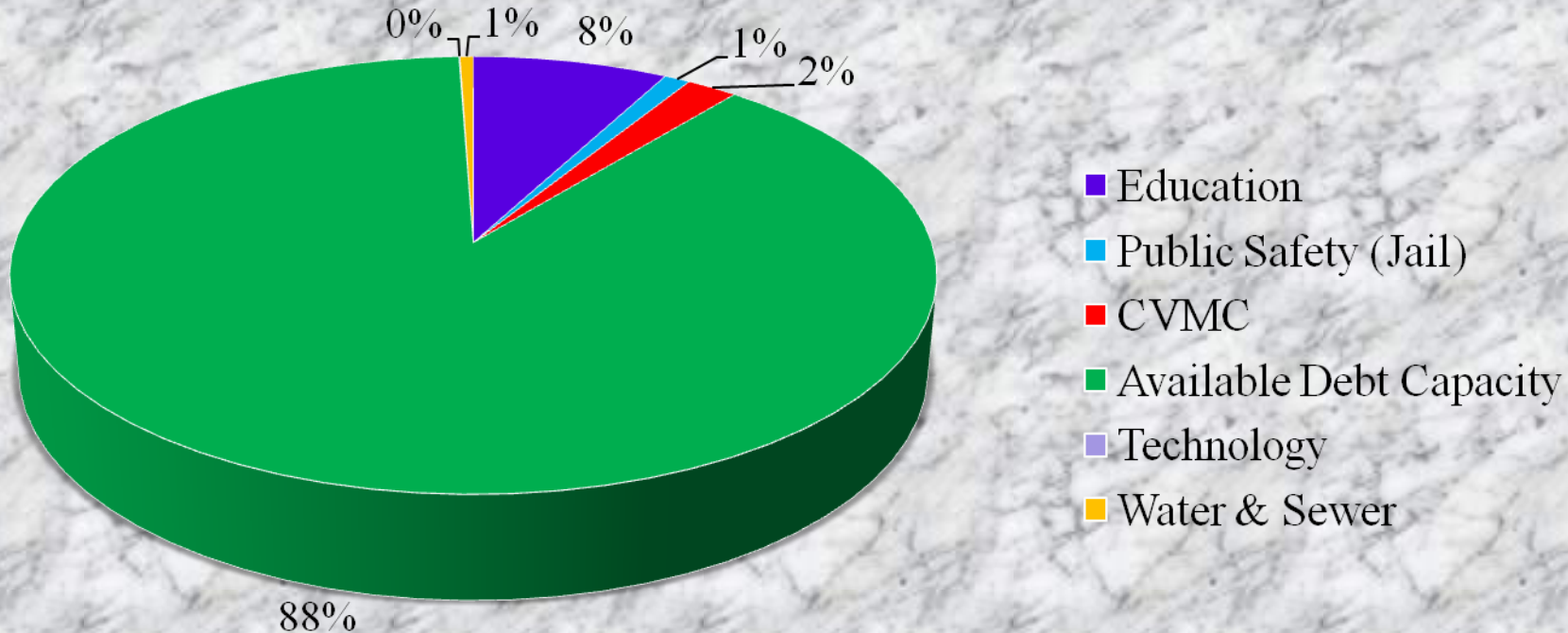
• **Public Health** – Increases in Home Health \$240k, Women/Infants/Children (WIC) Program \$90k; decreases in school nurse expenses

# Public Safety

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Sheriff	12,231,274	<b>13,085,604</b>	<b>13,431,778</b>
Emergency Services	7,986,939	<b>8,611,321</b>	<b>8,807,916</b>
Communication Center	1,280,249	<b>1,521,358</b>	1,527,737
Totals	<hr/> 21,498,462	<hr/> 23,218,283	<hr/> 23,767,431

- Sheriff's department –one new road patrol position in FY 10; replaced sixteen vehicles (>100k miles and >5yrs old)
- Emergency Services - Added four EMT paramedics and an Animal Care Coordinator in 09; replacement of five ambulances over two-year period 09 & 10(>200k miles)
- Comm. Center – added two new telecommunicators & one trainer position in 09

# Outstanding County Debt - 2010



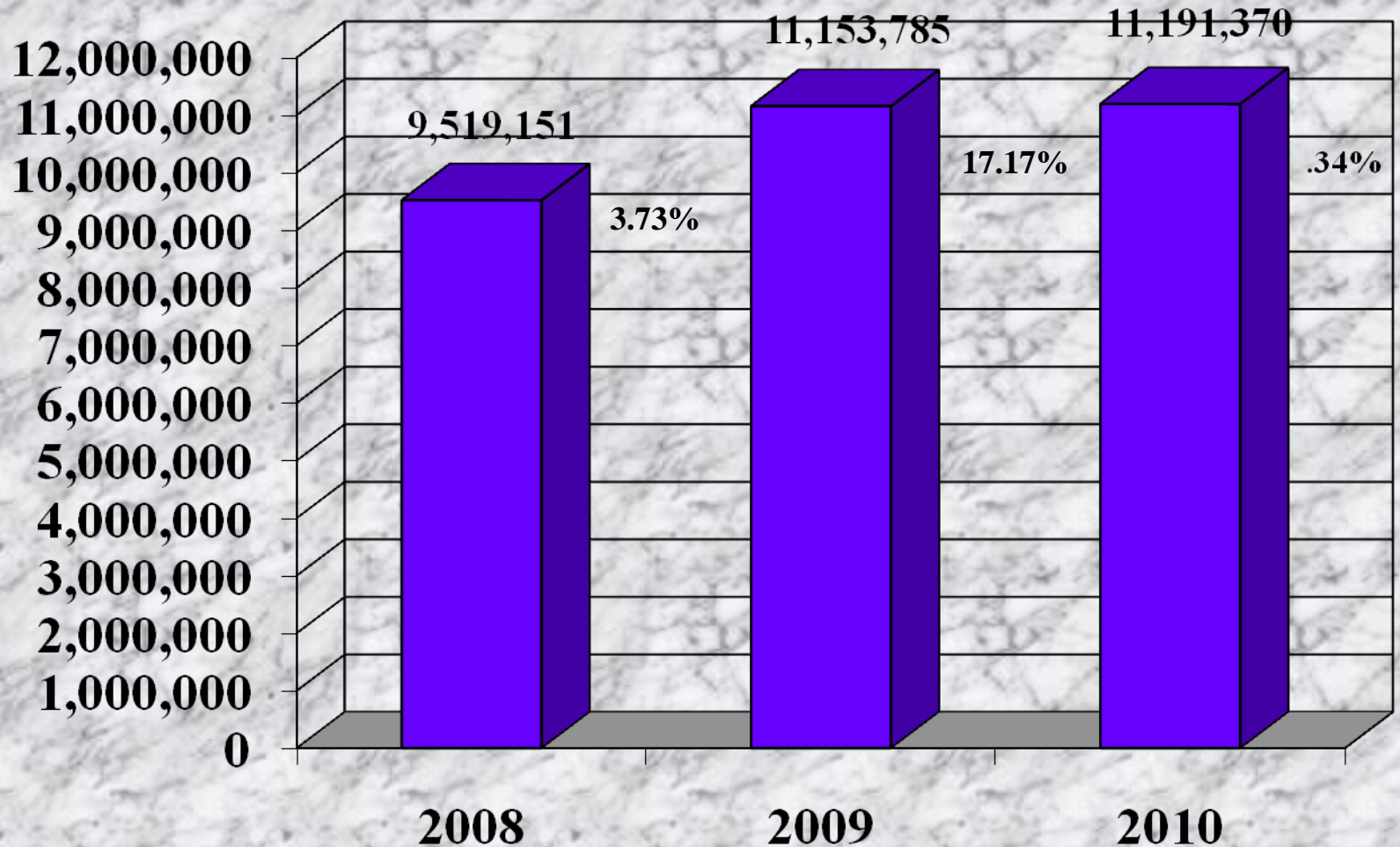
2010 debt per capita = \$736

2009 – avg. of 26 urban counties=\$1,384 (7<sup>th</sup> lowest-\$794 )

\$117 million in outstanding debt; \$1.08 billion available



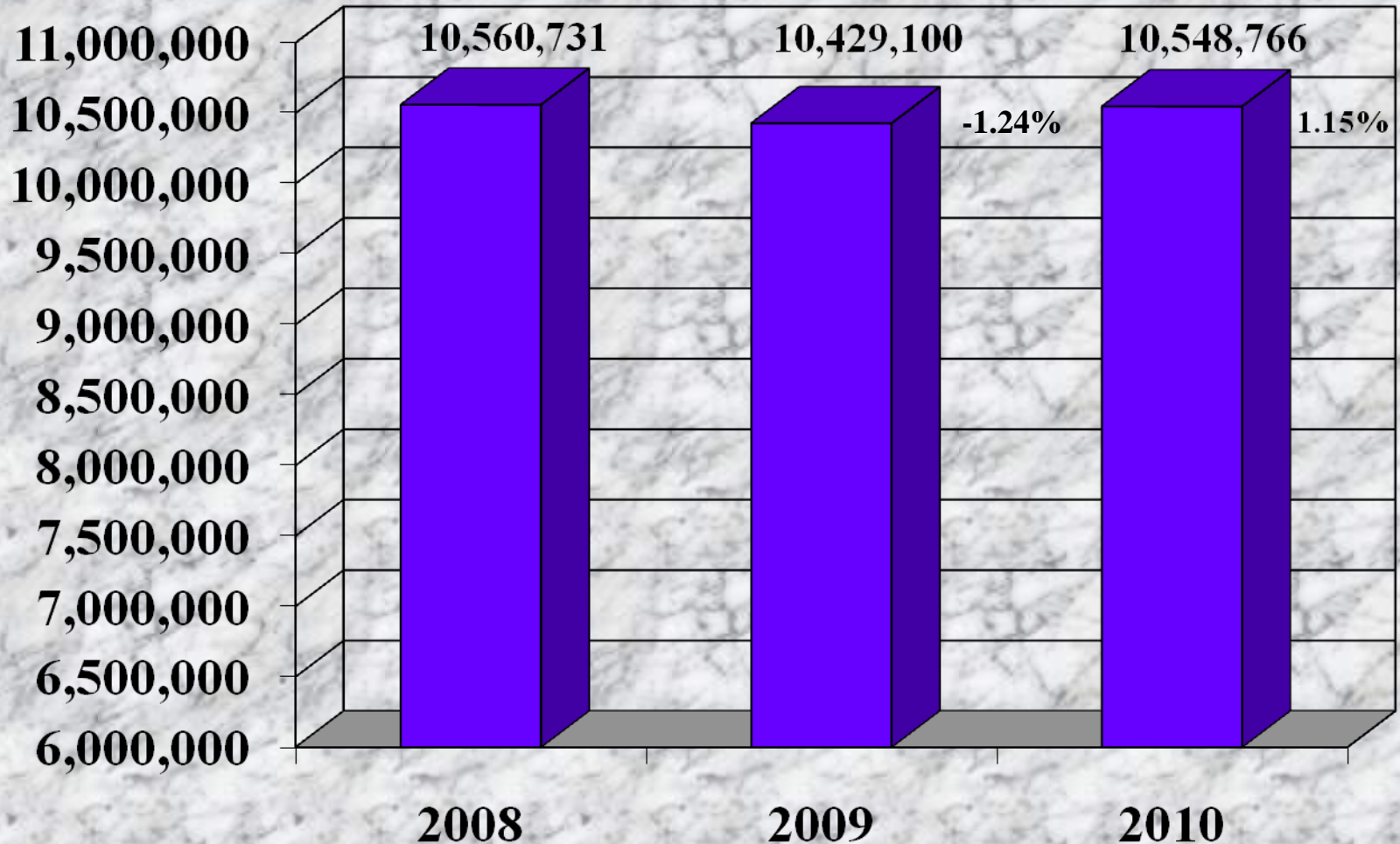
# General Government



**Health/dental insurance costs increased by \$1.5m in 09, primarily due to a higher number of large claims >\$30k; \$350k increase in 10, decreases in HR and ROD > \$100k each**

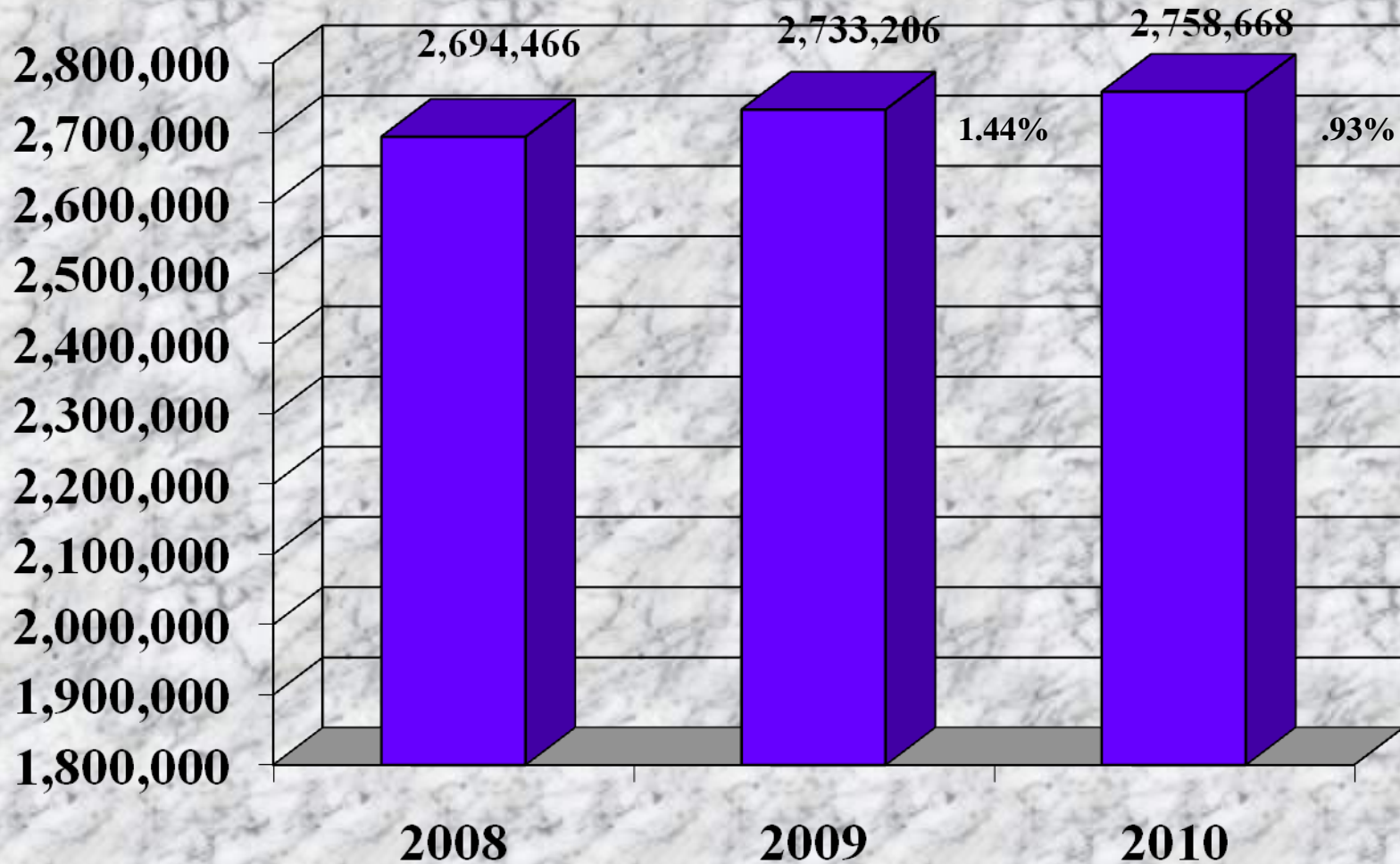


# Economic & Physical Development



Includes IT, Planning/Parks, Utilities & Eng., Cooperative Ext. & Facilities operations; increase in ED incentives (Getrag), decrease in utility costs (-\$100k), decrease in bldg. inspections(-\$350k)

# Culture & Arts



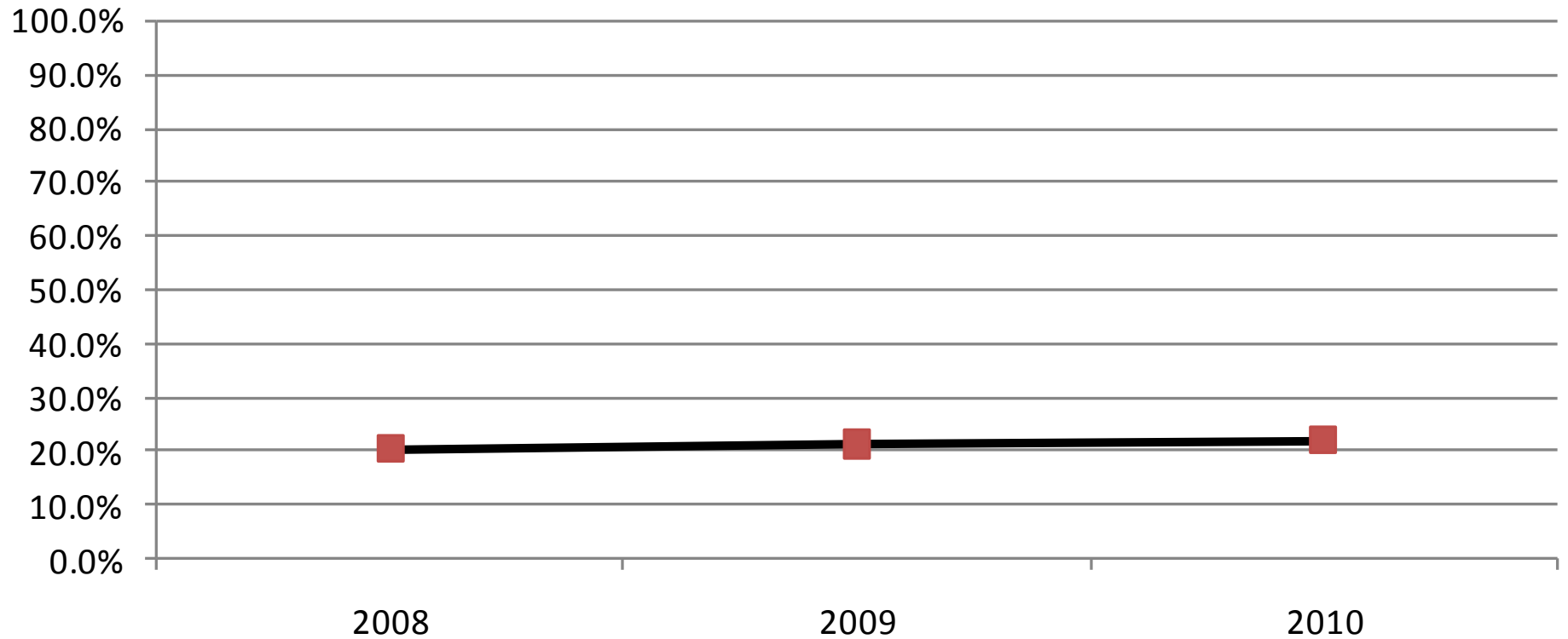
County Libraries, Historical Museum & Arts: increased funding to N-C Auditorium in 09; Salt Block Foundation in 10

# Operating Transfers

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Reappraisal Fund	437,123	479,200	439,680
Rescue Squads	924,000	967,150	1,034,362
General Capital Reserve	-	313,036	300,000
General Capital Projects	681,315	<b>1,715,512</b>	<b>-0-</b>
Water & Sewer Fund	2,100,000	<b>3,940,143</b>	<b>3,700,000</b>
School Capital Fund	747,943	286,835	-0-
<b>School Construction Fund</b>	101,513	<b>4,001,010</b>	<b>(2,524,631)</b>
Transfers-In	(2,008,298)	693	86,288
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Totals	4,121,115	11,626,019	2,873,464

- General Capital funds used for permitting/inspections system, Sherrills Ford library, parks master plan, technology improvements in 09
- W&S funding includes 1-1/2 cents of property tax rate and one cent from 1/4 cent sales tax proceeds
- School Construction funding is for school/CVCC debt needed in '10

# Available Fund Balance %





# Catawba Budget Reductions

- March 2009 (FY09) reduced 2% across the board or \$1 million from County Department budgets
  - Schools & Outside Agencies held harmless
- July thru November 2009 reduced \$5.5 million in response to state actions (Schools, CVCC, Mtn. Creek Park grant, PH, DSS & library funds)
- December 2009 notified County Departments, Schools & Outside Agencies to plan for a 2% across the board reduction or \$1.5 million subject to revenue collections through February 2010
- May 2010 reduced county/school budgets by 2% = \$1.5 million

# Budget Reduction Summary

- 39 .1 FTEs
  - Reduced hours
  - Frozen
  - Eliminated
- Training & travel reduced
- Capital projects delayed or cancelled
- Used fund balance to help fund projects
- Eliminated school projects tied to state funding (Average Daily Membership funds)
- \$1.0 million in FY 2009
- \$7.0 million in FY 2010
- \$8.0million total last two years